

OBJECTIVE CONDITIONS AND PATTERNS OF GOVERNING SOCIO-ECONOMIC PROCESSES IN A REGION

*Alexander S. Novoselov*¹,
*Tatyana V. Volyanskaya*²

The paper considers methodological approaches to and principles of regional and municipal management of socio-economic development of Siberian regions. Studied are the challenges related to the changes in the mechanism of management of regional spatial development, problems of creation of an efficient system of management and prerequisites for economic and social reforms realization in the regions of Siberia.

MANAGEMENT OF REGIONAL ECONOMY AND ECONOMIC RELATIONS BETWEEN REGIONAL AUTHORITIES AND COMPANIES

The theory of regional government is at its development stage. In respect of some theoretical and methodological issues, economists have not yet come to a balanced view; this is also true of the lack of terminological agreement. So it is of interest to analyze different concepts of regional government developed in domestic and world science.

The theoretical management fundamentals of a region's economy have been laid down in the works of researchers as early as the second half of the 20th century. These studies analyze the patterns, principles and factors of industrial location and investigate the problems of economic zoning and planning and management methods of spatial development.

The process of management of regional economy and associated economic relations between regional decision making bodies and companies and organizations, that is, economic agents of a region, is investigated. The purpose of these studies is to develop theoretical foundations for the management of a region's economy during a transition to a developed market environment by analyzing the regularities in the formation of regional economy government systems and special features in the growth and transformation of the native economy. For this purpose, the following objectives are stated:

- to study the objective conditions, preconditions, and patterns of governing the socio-economic processes in a region;
- to justify the methodological principles of governance of the regional economy;
- to study the basic patterns of the interaction mechanism among economic agents in a territory;
- to develop a methodical basis for the concept of socioeconomic governance of a region;
- to develop proposals for the improvement of the forms and methods of economic growth and the social area of a region.

¹ Prof., D.Sc.(Econ.), Head of Department, Institute of Economics and Industrial Engineering, Siberian Branch, Russian Academy of Sciences (IEIE SB RAS), Novosibirsk, Russia.

² Research Fellow, Institute of Economics and Industrial Engineering, Siberian Branch, Russian Academy of Sciences (IEIE SB RAS), Novosibirsk, Russia

The methodical basis for the management of a region's economy is the theory of regional sustainability worked out by R.I. Shniper [1]. The practical value of the sustainability (economic reproduction) approach to the governance of a region's economy is the possibility of a balanced substantiation of the power distribution among different levels of the administrative setup, i.e., federal, regional, and municipal. These powers and functions of governance should be determined by a complex of regional sustainability (reproduction) cycles, spatially distributed according to the administrative level of a given entity. The criterion for the distribution of socioeconomic functions between different levels of the territorial system is the degree of localization in the use of the results of their governance functions. It is not the scale or quantitative parameters of socioeconomic development but the system of performed functions that should become a distinctive feature of the political unit of a given rank. The approach to this problem in terms of the regional sustainability theory concretizes the responsibility for a certain objective at each level of the regional system.

Thus, the sustainability approach first of all means the adjustment of the development cycles at the level of a region of a given rank. In the generalized form, the governance function performed by regional executive bodies can be presented as the creation of a system effectively using the competitive advantage and resource potential of the region. It is possible to say that the process of governance of a region's development is the creation of proportions among various elements of the regional system that provide its efficient socioeconomic growth. Different regional units make up the uniform administrative system of the federal state; its units not only differ by the scale and status in the system of federal setup, but by the objectives they are to achieve and by the mechanism of their administration.

The governance of a region is control over its functioning and development. A question naturally arises concerning the essence of socioeconomic development governance, because economic and social processes directly meet here in decision making results at all levels of governance: federal, regional, and business. The competence of each power level implies the creation of a favorable environment for people's life activity and the preservation of the natural system and favorable environment for business and other organizations. The socioeconomic functions at all levels of the administrative system ultimately lie in the creation of sustainability, rational application of regional resources, and maintenance of a balance between economic, natural, and social systems.

The regional sustainability process represents a constant interaction between different structural elements of the regional economy (population, public organizations, business structures, and regional governing bodies), under which each party is guided by its own interests, and these interests do not always coincide with each other. The role of governing bodies of the regional socioeconomic system is to develop a mechanism regulating intra-systemic relations, allowing for the creation of long-term stable financial-economic ties based on some balance of interests.

For the integration of these interests, a mechanism is needed to provide the interaction between interests in the process of consistent implementation of priority directions of a region's socioeconomic development, economic interests taken by a region's economic agents in the achievement of objectives at each stage; monitoring economic relations and resolution of arising differences between some agents of the regional economy, and conditions allowing for the adaptation to the existing mechanisms of regional governance.

The study proceeds from the following methodological premises:

- 1) A regional economy is viewed as a system of interacting agents (enterprises, associations, organizations with different forms of ownership, independent entrepreneurs vested with extensive right in production and sales);
- 2) Agents can be grouped with regard to their activities into the following subsystems: material production, circulation, finance and credit system, local authorities, population;

- 3) Regional sustainability (reproduction) process evolves through interaction of agents in production, distribution, exchange and consumption;
- 4) Over the preceding period there formed stable production-technological, socio-economic and organization-management relations (vertical and horizontal) which show considerable inertia;
- 5) In the period of transition to a market economy as changes take place in property relations, management structure, economic relations sphere, the system of vertical and horizontal ties undergoes change as well, new relations take shape, transformation occurs in the agents' economic interests, incentives and motivation.

The study of economic relations in the regional reproduction process implies both a static examination of the proportions of distribution of national income produced in the region, and an analysis of the dynamics of financial and material relations among regional system agents.

Therefore it is essential to consider the flow of income produced in the region through different channels of its distribution and redistribution, as well as the flow of consumed national income resources supplied to the regional system.

In analyzing distribution relations we'll consider the interaction of regional system agents with regard to two interrelated aspects: distribution of value added (net product) created in the region and distribution of national income resources supplied to the region.

The former aspect involves isolation of three stages of distribution. At the first stage the value added in the region is distributed among the following elements of the regional system: enterprises, associations, organizations; local authorities, population, as well as among federal authorities, ministries and agencies. The value added allocated to the first three groups remains in the region, while that assigned to the latter two is transferred to federal funds for subsequent redistribution. At the second stage resources of value added are distributed to the population, non-production enterprises and local authorities and part of the necessary product created in the form of monetary income of the population is channeled into the non-production sphere and the local budget in the form of taxes and rates. At the third stage resources are redistributed through the local budget. They are allocated to the development of local industry, non-production sphere, for payments out of social consumption funds as well as to federal and regional budgets. The identification of these stages is more or less conventional as distribution processes evolve concurrently in both time and space involving all agents in the regional system.

The second aspect of distributive relations comprises the analysis of incoming financial flows from federal budget and the funds of federal ministries and agencies. They are subdivided into flows of assets from the federal budget to the regional budget, material production enterprises, non-production sphere, population and flows from ministerial and agencies funds to enterprises and organizations in material production and non-production spheres located in the region.

LOCAL GOVERNMENTS POTENTIAL IN REGULATION OF REGIONAL ECONOMIC RELATIONS

A variety of methodological approaches may be used in studying the issues relating to local authorities' participation in the regulation of regional economic relations. Local authorities without interfering in the affairs of economically independent enterprises should attend to integrative processes of regional socio-economic environment formation, i.e. manage the processes that answer the interests of all regional enterprises and population yet lies outside the scope of individual enterprises. In this context the processes of regional socio-economic environment formation are viewed as functioning of a system of local

reproduction cycles, and the local authorities' financial and economic base is formed as a result of equivalent economic relations between enterprises and the region, which involves dependence of the regional authorities' economic capabilities on the performance of local enterprises.

This approach has the indisputable merits of profound scientific substantiation proceeding from fundamental provisions of regional reproduction process theory, clear-cut demarcation of the competence of both local authorities and enterprises, consideration of socio-economic interests of regional reproduction process participants.

An interesting methodological approach to the study of this problem was set forth by R.J. Bennett [2], who considers relations among local authorities and business in each agent's perspective in interrelation of different aspects (finance, investment, technology). In looking into matters of local taxation from the point of view of entrepreneurs he isolates the following aspects: impact on profit, investment, reinvestment, technology, while when taking the local authorities' viewpoint he notes the degree of freedom in the choice of tax system, independent tax rate setting, imposition of other taxes, as well as the effect of external sources of income and pursuit of independent regional development policies. In our opinion, the main advantage of this approach consists in possibility of taking comprehensive account of the agents' economic interests, which makes for consistency and mutual benefit of regional economic relations system.

Also noteworthy is the study of J. Blair [3] who regards the relationship between enterprises and local authorities as a partnership, local taxes serving as an effective means for maintenance of mutually beneficial relations: when having a good taxation base local authorities provide development of infrastructure essential for enterprises, environmental protection, development of the education and health care system for enterprises employees. Besides, J. Blair considers partnership mainly as a matter of local competence, and argues that local authorities should be independent, and not be governed by the will of the others.

From the above it follows that local authorities gain extensive opportunities for regulation of distributive relations through the oblast's finance-credit system. This results in a change in the structure and functions of the system. Previously the local budget, cash and credit plans were drawn up independently of the oblast's comprehensive socio-economic development plan; there was a lack of adequate coordination between the oblast economic planning department, financial authority and central bank territorial agency. Under current conditions for economic relations to be regulated in the money and finance turnover process we believe it expedient to pursue a unified regional policy of finance and credit system management. Coordinating and methodological functions can probably be discharged by the economic development authority of the oblast, consolidated financial planning functions – be the oblast financial authority whose structure should presumably change in line with the new management functions. The oblast financial authority will probably be assigned the functions of coordination and methodological support of the oblast's finance-credit system.

While earlier oblast financial organs dealt mainly with functions related to budget planning, control over financial discipline, with transition to new system of government obviously many control functions lose their validity. Hence the oblast's financial authority's functions should conform to the new economic mechanism and conditions of formation of market and finance-credit relations. This includes primarily participation in elaboration of differentiated rates of payment for regional resources, differentiated norms for profit tax, etc.

To be sure, for effective regulation of regional economic relations full information is essential on financial resources formation process in different segments of the economic system both through distribution and redistribution of products and profits of the oblast's enterprises, and distribution of national income resources. This information can be drawn from the consolidated oblast financial balance which can take into account: financial resources retained by enterprises; local budget revenues; investment financing resources;

resources providing the development of the non-production sphere and circulation sphere, money income and spending of the population.

The development of a consolidated financial balance presupposes analysis of local budget revenue formation, financial activities and profitability of enterprises, financing of the social sphere, entrepreneurial activities of the population, redistribution of profit and other financial resources, proportions of average wages growth rates to labor productivity. In the process of balance calculations one can determine the potential sources of coast financing from resources of state and private enterprises, public organizations, the population, bank credits; income from primary financial resources (profit, turnover tax, net income, taxes on enterprises, deductions from the gross income to funds for social insurance, depreciation payments); proceeds from redistribution of assets held by the population (budget income from state taxes and other payments by the population, proceeds from loans and lotteries); redistributed incomes of enterprises (amounts paid by customers under contracts, other items of income); credit (increment in short-term credit resources, repayment of long-term loans, other sources of long-term crediting).

The oblast's finance-credit system can promote efficient economic development through maintenance of proportions of money income and real possibility of their realization, spending of money earned and fulfillment of cash circulation plan, and between the latter and wages and other payments to the population.

One of the principal tasks of the oblast's financial-monetary system is promotion of efficient money circulation. While the general money circulation policy is prescribed and supported by legal norms developed at the federal level of administration, the acceleration of circulation, maintenance of an optimal balance of population income and spending and the cash circulation plan fall within the scope of the oblast government level. At this level the finance-credit system can provide acceleration of money circulation by means of better trade and personal services made available to the population, minimization of finance in production and circulation, expedition of current assets circulation and the contribution of the credit system to improvement of the oblast economic performance.

Thus, it can be maintained that under economic reform changes occur in the functions of the finance-credit system of the regional reproduction process. It assumes the following basic functions: implementation of distributive processes involved in the oblast comprehensive socio-economic development, financial support for the oblast's development, regulation of distributive relations between the enterprises, population, local budget and banking system; enhancement of efficiency of money and financial resources utilization in the process of crediting and circulation.

BASIC DIRECTIONS IN THE NEW SYSTEM OF A REGION'S GOVERNANCE

The borrowing of foreign experience in governing the regional process allows us to conclude about the possibility of its application in Russia's context. On the basis of an analysis of the participation of nongovernmental business organizations in regional development practiced abroad, it is possible to recommend the creation of similar organizations in Russia both at the regional and interregional level. A number of competencies in the economic interaction between enterprises and regional organizations in socioeconomic trends in a region can be taken on by public organizations, unions, and associations already existing in Russian regions: regional associations and unions of manufacturing enterprises, commercial banks, and small business organizations. The functions of interregional interaction concerning regional development problems are performed by the interregional association of economic interactions of the federation's subjects.

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In a system of economic governance methods, an important role is played by the regional marketing strategy. In a market environment, regions and cities are competing in different areas and aspects. In this competition, those regions win that have the strongest competitive positions [4]. As is shown by international experience, one of the critical advantages in a system of competitive positions can be the formation of a favorable business environment on the basis of a system of financial and nonfinancial incentives. Financial incentives are privileged loans, subsidies, loan guarantees, tax privileges, etc. Nonfinancial incentives include simplification of licensing procedures, issue of permissions, business consulting, subsidies for research and design works, provision of land plots for development, etc.

In the creation of a favorable business environment in a region, an important role is played by regional governance bodies and public organizations of entrepreneurs. In accordance with the concept of regional marketing, it is reasonable to create a special noncommercial organization, which will be able to perform the marketing of social and infrastructural services. This organization should represent both sectors, public and private, as well as various social groups. Its founders can be regional governance bodies, manufacturing enterprises, commercial banks, trade organizations, social services, etc. The main task of such an organization is the development of a regional marketing strategy and the implementation of a marketing program oriented to the provision of a high living standard, total employment of the population, restructuring of production, and the development of a market infrastructure. A regional marketing strategy should be developed on the basis of estimating the strengths and weaknesses of a region's economy with account of its economic and geographical location, the location of manufactures near capacious markets or sources of raw materials, etc.

Basic directions in the new system of a region's governance are the achievement of publicly important results, improved quality and access to public services, lower intervention of regional bodies in the economy, lower costs of inefficient purchases for public needs, and higher public trust in regional governance bodies. The final results of the formation of a new system of regional governance should be higher competitiveness of a region's economy, better investment climate, higher quality of life, better manageability at the regional and municipal levels, higher efficiency of budgetary expenditures, and stronger coordination within the regional community.

The Russian experience in the last decade has visually shown that, to achieve the objectives of regional governance, it is not merely enough to formulate them, supply with a legal framework, and developed a plan of action. In order to achieve significant publicly important results, it is needed to introduce a system of governance by results which connect the objectives, measures, and resources needed for the achievement of the governance objectives. This system uses a mechanism of project management, the application of which allows one to have control not only at the decision-making stage, but also at the implementation stage. The absence of this mechanism considerably impedes the achievement of the outlined results at both regional and municipal levels of government. Its introduction is equally important for the formation of a new system of governmental regulation on the whole and for the solution of many other problems associated with the implementation of structural transformations in the economy. The practical application of the mechanism of project governance should be closely tied with the introduction of a mechanism for the definition of objectives and budgeting by results.

In the budgetary process, the main direction is introduction of budgeting methods oriented to results, a transition to the distribution of budgetary resources between administrators of budgetary resources and their budgetary programs on the basis of their concrete results, and a higher financial independence of agents of budgetary planning on the basis of their stronger financial management.

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The transition to this type of budgeting requires an inventory of the expenditure obligations of budgetary planning subjects in coordination with the register of the federal and municipal services and development of technology for their rendering, as well as procedures for calculating the costs of governmental and municipal services. The introduction of standards for governmental services will allow for the coordination and concretization of the obligations of state and municipal governance bodies to regional communities, will require the use of objective procedures for the control and appraisal of their activity, and will lead to lower scarcity of socially important services. These standards should be created for services fixed in the registers of state services of federal subjects, coordinated with requirements for the legislation and register of expenditure obligations of budgets.

Functions without sufficient legal foundations and precluding the exercise of the rights of residents or imposing additional duties on economic agents should be abolished. This will make it possible to reduce the unjustified intervention of the government in the economy, to reduce the transaction costs of subjects of the regional economy, and to concentrate the administration bodies of federal subjects on the problems within the direct circle of their powers.

In order to prevent the appearance of additional functions, it is important to legally fix the procedure of proving the reasons for the introduction of state regulation measures for business activity at the regional and municipal levels. Before the introduction of a new regulating function, it is necessary to motivate that the objective cannot be achieved by market methods and self-regulation, while the summary losses for subjects of the regional economy will be far below the effect. The introduction of a procedure for new measures of state regulation will allow for a reduction in the number of newly introduced additional functions and a decrease in total costs for businesses, thus increasing their competitiveness.

The development of self-regulation mechanisms of socioeconomic development processes in a region will also increase the efficiency of the regulation of activity types. Self-regulatory institutions, such as insurance of responsibility and compensation, can provide a more effective protection of consumer rights than state methods, such as licensing. As a result, it will be possible to develop effective self-regulatory institutions, which will be able to carry on part of functions which are currently fulfilled by state and municipal governance bodies.

A realistic estimation of all undertaken measures for the perfection of regional governance and the available proposals, characterizing the general concept of economic reformation at the regional level, allow for the following conclusions.

First, the basic elements of the socioeconomic systems of regions are not equally prepared to a transition to a new model of regional governance.

Second, the powers of official bodies of the hierarchical system of territorial governance are not clearly defined.

Third, the economic, social, and financial norms, which should perform the functions of financial economic instruments, providing the achievement of objectives and tasks of integrated socioeconomic development, are not justified.

Fourth, in some governmental links of a region's economy, there is a lack of world-view susceptibility and personnel preparedness to a transition to a new model of regional governance.

From this it follows that a transition to a new model of economy governance of a federal subject should be of a stepwise character and implies the constant replacement of ineffective elements of the economic mechanism. At the first stage, it is necessary to provide the following tasks:

- proceed from the priorities of a region's socioeconomic development to motivate authorities, concrete prerogatives, and duties and functions of regional governance bodies and local self-government;

- to develop a system of regional planning–forecast and normative documents, providing a high level of reliability and quality of governance;
- to establish order in the organizational structure of the government in accordance with its tasks, to increase the efficiency of governance by simplifying the government structure, abolish the multilink system, and exclude irrational costs;
- to establish scientifically motivated regulating bodies with a mutual economic interest in the activity of local bodies of governance and business structures located in a territory;
- to form a necessary information base of regional and municipal statistics which would make it possible to investigate the regional financial and economic proportions of sustainability and the instrument of action in order to change them in the necessary direction;
- to create the necessary infrastructure for a transition to updated methods of governance with a wide application of new information technologies.

On the basis of this new regional governance model, the following will become possible:

- to make decisions which can be really fulfilled in terms of the availability of adequate financial and economic possibilities in a region;
- to arouse the interest of business structures located in a region in solving the general regional objective to increase the competitive positions of the region and its financial and economic potential, without using administrative actions but instead creating conditions for business which would provide economic feasibility and profitability from participation in the solution of regional problems;
- to concentrate activity on the development of promising economic clusters and on solving inter-industrial boundary problems that are important for each particular production located in the territory of a region but can only be solved on the basis of inter-industry interaction.

The strategy of a federal subject should be the one that provides a common platform, which is called to provide the mutually profitable development of business and the territory in the interests of the region's population.

CONCLUSIONS

As a result of research, the following conclusions are made: in the context of the crisis in the socio-political and socio-economic management system in the post-socialist space, there is a need to develop new mechanisms of management of the state and its regions, and to create proper conditions for the efficient interaction between regional and municipal authorities. The main guideline of modernization should be innovation in the system of management.

At the regional level, the modernization should include the development of new principles and approaches to the management of socio-economic development of regions and municipalities. The complexity of modernizing management mechanism is that the traditional management of individual regional and municipal entities cannot create a competitive point of growth in each territory. The outcome of the situation is on the way of formation of the cluster approach to management, which aims to unite the interests of the various municipalities and provide efficient spatial development of a region. The solution to this problem can be achieved by concerted action of national and regional public authorities, local governments, non-governmental organizations and experts.

Overall assessment of the whole set of measures to modernize the system of management in Russia and proposals describing the concept of economic reform at the regional

level, leads to the conclusion that the modernization of the system of regional management in Russia should be incremental and assume a permanent replacement of inefficient elements in the economic mechanism.

Based on the priorities of regional economic and social development, it is necessary to justify the powers, specific rights, duties and functions of regional and local government; develop a system of regional planning and forecasting and regulations to ensure high reliability and quality of management; streamline the organizational structure of management in accordance with the terms of tasks, and improve management efficiency by abolishing multilink and unsustainable costs.

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